

Health Coverage Tax Credit Program Kit



Introducing a program that can pay nearly
two-thirds of your health plan premiums.

HCTC
Federal • State • Private Industry

Health Coverage
Tax Credit

What You Need to Know and Do in Five Steps



Step 1

Verify Your Eligibility

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Step 2

Determine if Your Health Plan
is Qualified

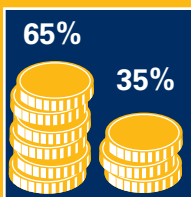
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Step 3

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You may be eligible to claim the Health Coverage Tax Credit (HCTC). This important benefit pays 65% of your qualified health plan premiums for as long as you remain eligible. That means you can save 65 cents out of every dollar you are paying now. This is not a government health insurance program; it is a federal tax credit. However, you may be eligible to claim the credit even if you do not owe any federal income tax.

In general, you may claim this credit if:

- You are receiving certain benefits under the Trade Adjustment Assistance (TAA) program.
- You are receiving benefits under the Alternative Trade Adjustment Assistance (ATAA) program.
- You are receiving benefits from the Pension Benefit Guaranty Corporation (PBGC), and you are at least 55 years old.

In addition, you must be enrolled in a qualified health plan, and you must not be entitled to Medicare.

There are two ways to receive the credit:

- As an advance tax credit applied toward your monthly health plan premiums, as they become due
- As a lump sum payment when you file your federal tax return

This Program Kit will take you step-by-step through the process of claiming the HCTC, from determining whether you are eligible to receiving the credit. Follow the instructions carefully so that you and your family can receive the full benefit of this Program. If you have any questions about the information provided, please contact us; complete contact information is located on page 16.

Health Coverage Tax Credit

Verify Your Eligibility



The first step in claiming the tax credit is to determine if you are eligible.

Eligibility Requirements

You have received this Program Kit because you were reported by your State Workforce Agency (SWA) or the PBGC as receiving one of the following benefits:

- You receive a Trade Readjustment Allowance (TRA) under the Trade Adjustment Assistance (TAA) program.
- You are eligible for TRA under the TAA program, but you have not used up your unemployment insurance (UI) benefits.
- You receive benefits under the Alternative Trade Adjustment Assistance (ATAA) program.¹
- You are at least 55 years old and receive pension benefits from the PBGC, or you received a lump sum payment from the PBGC after August 5, 2002. You also qualify if you are at least 55 years old and currently receive benefits as a survivor, beneficiary, or an alternate payee under a qualified domestic relations order.²

Receiving one of the above benefits satisfies the first eligibility requirement for claiming the HCTC. Additionally, you are required to be enrolled in a qualified health plan.

¹ If you have questions about TRA benefits under TAA or about ATAA, call your local State Workforce Agency for more information. You may also contact the Department of Labor Employment and Training Administration at 1-877-US-2JOBS.

² If you have questions about pension benefits from the PBGC, contact the agency at 1-800-400-7242.

Verify Your Eligibility (continued)

Step 1

Disqualifying Criteria

You are not eligible to claim the HCTC if any of the following applies to you:

- You can be claimed as a dependent on someone else's federal tax return.
- You are imprisoned under federal, state, or local authority as of the first day of the month in which you are eligible.
- You are enrolled in a health plan maintained by your current or former employer—or your spouse's current or former employer—that pays 50% or more of the total cost of coverage.
- You are eligible for Medicare, even if you are not currently receiving its benefits.
- You are enrolled in Medicaid, the State Children's Health Insurance Program (SCHIP), or the Federal Employees Health Benefits Program (FEHBP).
- You are entitled to health coverage through the U.S. military health system (TRICARE/CHAMPUS).³

Your Family Members May Qualify For The HCTC Too!

Provided you meet all of the eligibility requirements, you can use the tax credit to help pay for qualified health coverage for your family members. To qualify, your spouse and dependents must not have any of the disqualifying criteria applicable to them, except for being able to be claimed as a dependent.⁴

³ This does not include health coverage received as a Veterans Affairs (VA) benefit.

⁴ Children of divorced or separated parents are treated as dependents of the custodial parent for the purposes of the HCTC. The non-custodial parent may not claim the credit even if she or he is entitled to claim the tax exemption for the child or carries the child's health insurance.

Verify Your Eligibility (continued)

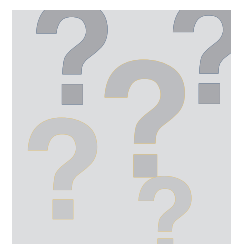
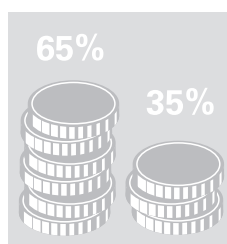
If you are an ATAA benefit recipient, you are not eligible to claim the HCTC if you are enrolled in a qualified health plan and ONE of the following applies to you:

- You have qualified health coverage and your current or former employer – or your spouse's current or former employer – currently pays any portion of the total cost of your health coverage.
- You are eligible for qualified health coverage and your current or former employer – or your spouse's current or former employer – would pay 50% or more of the total cost of coverage.
- You or your spouse could pay for the cost of your qualified health coverage on a pre-tax basis.

Do you meet all of the eligibility requirements? Not sure if your health coverage is qualified? Continue on to Step 2 to determine if your health plan is qualified.

Determine if Your Health Plan is Qualified

Step 2



The second step is to determine what types of health coverage qualify.

Only the following types of health coverage are qualified for the HCTC:

- **COBRA continuation coverage**, unless the employer or former employer pays 50% or more of the cost of coverage. (If your COBRA period is about to end, visit www.irs.gov and enter IRS Keyword: HCTC to find out if another HCTC-qualified health plan is available to you.)
- **Non-group (individual) coverage⁵** in which you were enrolled at least 30 days before you were separated from the job that made you eligible for TRA benefits, ATAA benefits, or pension payments from the PBGC.
- **State-qualified health plans.** For a current list visit www.irs.gov and enter IRS Keyword: HCTC.
- **Your spouse's insurance from work**, if the employer contributes less than 50% of the total cost of coverage.⁶ (You cannot claim the tax credit in advance with this type of coverage, unless your spouse's health coverage is COBRA continuation coverage.)⁷

Premiums paid for health plan benefits such as Vision and Dental are not eligible for the HCTC except when your health plan includes them as a comprehensive benefit in your medical premium. Also, premiums paid through a Health Savings Account (HSA) and/or an Archer Medical Savings Account (MSA) are not eligible. Refer to IRS Publication 502 for more information about these and other exceptions.

⁵ Non-group (individual) coverage is health coverage provided under a contract issued to one individual or family at a time, and it is usually purchased through a health insurance company, an agent, or broker.

⁶ Any portion of the total cost of your qualified health coverage that is paid by you or your spouse on a pre-tax basis is considered to have been paid by your employer, and must be included as such when determining the percentage of employer coverage.

⁷ If you qualify for the HCTC under ATAA, you may claim the HCTC to pay for this type of coverage only if the employer does not pay for any portion of the total cost of coverage.

Step 2

Determine if Your Health Plan is Qualified (continued)

Enrolling in a qualified health plan does not guarantee you will be eligible to claim the HCTC. You must also meet the other eligibility requirements defined in Step 1.

Are you currently uninsured? A lapse in health coverage may affect your ability to obtain future health coverage. If you do not have any health coverage and you believe you are eligible to claim the HCTC, contact one of the qualified health plans in your state, listed at www.irs.gov (IRS Keyword: HCTC).

If you choose to end your current coverage to enroll in an HCTC-qualified plan or to switch qualified health plans once you are enrolled in the advance HCTC Program, make sure your new health plan is in effect prior to the end of your current health plan to avoid a lapse in coverage.

Do you have a prescription-only plan? A policy that only covers prescription drugs, whether alone or as part of a major medical plan, may be eligible for the HCTC. Visit www.irs.gov (IRS Keyword: HCTC) for more information. You may also contact the HCTC Customer Contact Center; complete contact information is provided on page 16.

Continue on to Step 3 to learn how to claim the credit.

You must be enrolled in a qualified health plan to claim the HCTC.



The third step in claiming the tax credit is to choose how you would like to claim it.

You may claim the HCTC in advance as a monthly payment made directly to your health plan, or you may claim it when you file your federal tax return.

To claim the HCTC in advance, follow these steps:

1. Review all parts of the HCTC Registration Form in this Program Kit to understand the requirements for a successful registration.
2. Enroll in an HCTC-qualified health plan, if you have not already done so (see Step 2, “Determine if Your Health Plan is Qualified” for more information).
3. Complete the HCTC Registration Form in the back pocket of this Program Kit.
4. Mail the completed HCTC Registration Form and the following required health plan documentation in the postage-paid envelope provided:
 - A health plan invoice (or COBRA payment coupon) dated within the past 60 calendar days that includes:
 - ▲ Your name
 - ▲ Health Plan identification number
 - ▲ Dates of coverage
 - ▲ Monthly premium dollar amount
 - ▲ Name of your Health Plan or Administrator
 - ▲ Address where your payments are sent
 - In addition, if you have COBRA continuation coverage, you must include ONE of the following:
 - ▲ A copy of your completed and signed COBRA Election/Enrollment Form provided by either a former employer or a COBRA administrator. This form might also be referred to as a COBRA Application Form, Enrollment Application for Continuing Coverage, or Election Agreement.

Claim the Credit (continued)

- ▲ If you do not have a copy of your COBRA Election/Enrollment Form, include a letter from your former employer or COBRA administrator that confirms you are enrolled in COBRA coverage and includes the following information:
 - The start and end dates of your COBRA coverage
 - Name of the Health Plan or COBRA administrator, if applicable
 - Your home address
 - Covered family members and their dates of birth, relationship to you, and Social Security Numbers
- ▲ If neither of the above is available, include a copy of the Notice of Rights to Continue Coverage document you received from your former employer or COBRA administrator and corresponding Proof of Payment, in the form of a cancelled check or credit card/bank statement (dated within the past 60 calendar days), which clearly indicates that you are paying the administrator listed on your invoice for the coverage specified. The Notice of Rights to Continue Coverage may identify specific medical, dental, prescription, or vision plans that you have been offered.

If you misplaced the envelope, mail these items to:

HCTC Processing Center
P.O. Box 4700
Waterloo, IA 50704

5. Contact the HCTC Customer Contact Center if you have any questions: complete contact information is located on page 16.

If your registration is successful:

You will receive a confirmation letter stating that you are successfully registered for the advance HCTC Program. However, this does not complete all the steps necessary to be considered an active participant in the advance HCTC Program. Read your confirmation letter carefully. It will include steps you must complete to begin claiming the tax credit in advance.

Along with your confirmation letter, you will receive an invoice from the HCTC Program. Send the payment amount listed and your payment coupon in the return envelope provided to you. You will also receive the HCTC Registration Update Form. When necessary, follow its directions to update your HCTC account.

The HCTC billing cycle may not correspond exactly to your health plan's billing cycle. Receiving an HCTC invoice does not mean that you are up to date in payments to your health plan. Therefore, you must make sure you are current with your health plan through the end of the month in which you receive your first HCTC invoice. It is critical that you resolve any unpaid balances with your health plan in order to maintain your health coverage and remain an active participant in the HCTC Program.

For detailed payment instructions, see Step 4, "Make Your Payment."

Important Notes on Claiming the HCTC in Advance

- If you claim the HCTC for any months for which you are not eligible, you will be responsible for returning the full amount of those payments to the IRS.
- National Emergency Grant (NEG) funds may be available in certain states to help individuals pay for qualified health coverage until they begin receiving the advance tax credit. Contact the U.S. Department of Labor at 1-877-US-2JOBS (1-877-872-5627) and ask if your state has a NEG Gap-filler Program.
- You will receive IRS Form 1099-H from the IRS if you claimed the HCTC in advance for any months of the year. Form 1099-H provides the amount of advance tax credit you have received and the months for which you have received it during the calendar year.
- Use IRS Form 8885 with your federal tax return to claim the HCTC for any months that you were eligible but did not claim the tax credit in advance. You will need Form 1099-H to complete Form 8885.
- If you are eligible for the HCTC and you have health coverage through your spouse's employer that is not COBRA continuation coverage, or if your primary mailing address is outside of the United States (not including Alaska, Hawaii and the District of Columbia), the advance tax credit option is not currently available to you. You may be able to claim the credit when you file your federal tax return.

Claim the Credit (continued)

To claim the HCTC when you file your federal tax return, complete these steps:

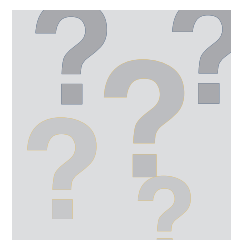
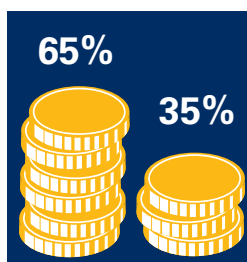
1. Continue to pay your qualified health plan premiums in full each month.
2. Complete IRS Form 8885 to claim the credit. Submit it with your IRS Form 1040, 1040NR, 1040SS, or 1040PR.

Important documentation to keep in your personal records

- Qualified health coverage policy information
- All of the health coverage invoices you receive
- Proof of payment of those invoices
- Proof of your termination date from the employer that made you eligible for benefits from TAA, ATAA, or PBGC, especially if you are using a qualifying non-group (individual) health plan
- HCTC Program invoices for the months you received the advance tax credit

Make Your Payment

Step 4



The fourth step is to calculate your monthly savings with the tax credit.

Estimate Your Monthly Savings

Use this worksheet to estimate your monthly payment responsibility. You will need your most recent health plan invoice. If you have qualifying family members with their own qualifying policy, copy this worksheet and complete it again for their policies. Add the results of each to get your total payment responsibility.

1. Enter the total monthly premium paid for the health plan policy. (1) _____
2. Enter the total monthly premium paid for non-qualified family members on your policy. (2) _____
3. Enter the total of monthly premiums paid for exceptions on this policy (for example, vision and dental coverage). (3) _____
4. Enter the amount of your monthly premium that you pay using funds from an Archer MSA (Medical Savings Account) and/or HSA (Health Savings Account). (4) _____
5. Add lines 2, 3, and 4. Enter the result here.
This is your estimated total monthly **ineligible** premium amount. (5) _____
6. Subtract line 5 from line 1 and enter the result here.
This is your estimated monthly **HCTC-eligible** premium amount. (6) _____
7. Multiply line 6 by 35% (.35) and enter the result here. (7) _____
8. Add lines 5 and 7. This is an estimate of your **total** monthly payment responsibility for this policy. (8) _____
9. Subtract line 7 from line 6. This is an estimate of what you will save each month through the HCTC. (9) _____

Make Your Payment (continued)

Advance Tax Credit Payments

Each month you will receive an invoice from the HCTC Processing Center for your portion of the health coverage premiums. The amount due should be paid in full by the due date on the invoice. For as long as you continue to meet the eligibility requirements of the Program, the HCTC Processing Center will add the tax credit amount to your payment and send the full payment to your health plan administrator.

Late or missed payments may keep you from claiming the HCTC in advance. If you do not send a payment, no payment will be made to your health plan unless you have a credit on your HCTC account equal to 100% or more of your HCTC invoice amount. If you miss the due date for your payment, send your full premium amount directly to your health plan administrator in order to maintain your health coverage.

Acceptable Forms of Payment

The HCTC Processing Center will accept these forms of payment:

- All major credit cards
- Cashiers, Business or Personal checks
- Money order

Submit Your Payment

To pay by credit card:

1. Write your credit card number and expiration date in the space provided on the payment coupon.
2. Enclose the payment coupon in the return envelope provided with your invoice.

To pay by check:

1. Make your check payable to “U.S. Treasury – HCTC.” Your check must draw funds from a U.S. bank.
2. Write your HCTC Account Number on the check.
3. Enclose your check for the correct amount along with the payment coupon in the return envelope provided with your invoice.

Payment Address

If you do not have the return envelope that was included with your invoice, you can send your payment to:

U.S. Treasury – HCTC
P.O. Box 970023
St. Louis, MO 63197-0023

Update Your HCTC Account

Complete the HCTC Registration Update Form to notify the HCTC Program of changes that may affect your ability to claim the tax credit in advance, including:

- Changes to the eligibility status of your qualified family member(s)
- Changes to health plan information including:
 - ▲ Premium Amount
 - ▲ Benefits
 - ▲ Member or Group ID
 - ▲ Product type (e.g. HMO, PPO, POS)
 - ▲ Termination of coverage
- Changes to your personal information (e.g. your home address, telephone number)
- Changes to your HCTC eligibility

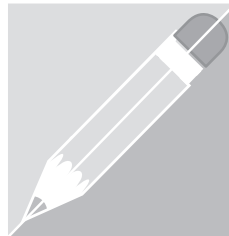
Notice to HCTC Participants Making Payment by Check

Authorization to Convert Your Check: If you send us a check to make your payment, your check will be converted into an electronic fund transfer. “Electronic fund transfer” is the term used to refer to the process in which we electronically instruct your financial institution to transfer funds from your account to our account, rather than processing your check. By sending your completed, signed check to us, you authorize us to copy your check and to use the account information from your check to make an electronic fund transfer from your account for the same amount as the check. If the electronic fund transfer cannot be processed for technical reasons, you authorize us to process the copy of your check.

Insufficient Funds: The electronic fund transfer from your account will usually occur within 24 hours, which is faster than a check is normally processed. Therefore, make sure there are sufficient funds available in your checking account when you send us your check. If the electronic fund transfer cannot be completed because of insufficient funds, we may try to make the transfer up to two times.

Transaction Information: The electronic fund transfer from your account will be on the account statement you receive from your financial institution. However, the transfer may be in a different place on your statement than the place where your checks normally appear. For example, it may appear under “other withdrawals” or “other transactions.” You will not receive your original check back from your financial institution. For security reasons, we will destroy your original check, but we will keep a copy of the check for record keeping purposes.

Your Rights: You should contact your financial institution immediately if you believe that the electronic fund transfer reported on your account statement was not properly authorized or is otherwise incorrect. Consumers have protections under a federal law called the Electronic Fund Transfer Act for an unauthorized or incorrect electronic fund transfer.



The final step in claiming the tax credit is finding answers to your questions.

Q: If I am eligible, when can I begin receiving the HCTC and for how long?

A: Generally, you may begin to receive the HCTC when you meet the eligibility requirements listed in Step 1, “Verify Your Eligibility”. You will continue to receive the tax credit as long as you remain eligible. If you are eligible for the credit under TAA/ATAA, you may receive the credit for one extra month after your TAA/ATAA eligibility ends.

Q: If I am not a United States citizen, can I still claim the credit?

A: Yes, as long as you meet the program eligibility requirements.

Q: Why must I have a mailing address within the United States (including Alaska, Hawaii and the District of Columbia) for the purposes of claiming the advance HCTC?

A: Meeting strict payment processing deadlines to health plans cannot be guaranteed for international addresses and addresses in U.S. territories. In addition, establishing relationships with health plans outside the U.S. is often restricted. If you do not have a mailing address within the U.S., you may be able to claim the tax credit using IRS Form 8885 when you file your U.S. federal tax return.

Q: If I do not owe any federal income tax, can I still claim the credit?

A: Yes, but you must complete IRS Form 8885 and submit it with your IRS Form 1040, 1040NR, 1040SS, or 1040PR when you file your federal tax return.

Q: If I become employed, will I stop receiving the credit?

A: Going back to work will not in itself disqualify you from receiving the credit. However, you must still continue to meet the eligibility requirements listed in Step 1 in order to remain eligible for the HCTC.

Q: Does my state have to qualify a health plan?

A: No. There are three health plan options available to HCTC-eligible individuals that automatically qualify. The HCTC Program also encourages states to qualify plans to increase the number of available health plan options.

Q: What is non-group (individual) coverage and how will I know if I have it?

A: For the purposes of the HCTC Program, non-group (individual) health coverage refers to any coverage that you purchased as an individual policy (for yourself and/or your family), usually through a broker or directly from an insurance company. Non-group (individual) health coverage could not have come through your or your spouse's employment. To qualify, coverage must have begun at least 30 days before separating from the employment that qualified you for TAA/ATAA or PBGC benefits. Date of separation is the last day you worked at the employment that qualified you for TAA/ATAA or PBGC benefits, or the last day you would have worked if you were on authorized leave.

Q: I am entitled to Medicare, but my spouse is not. Is my spouse still eligible for the HCTC since she or he is not yet eligible for Medicare?

A: If you are entitled to Medicare, you are no longer eligible for the HCTC. Since you are no longer eligible, your family members (including your spouse) are not eligible for the HCTC either.

Q: Who is responsible for running the HCTC Program?

A: The Department of the Treasury (Internal Revenue Service) administers the HCTC Program in partnership with other federal agencies, the states, and the private health industry.

Q: What is IRS Form 8885?

A: You should use IRS Form 8885 to claim the HCTC on your federal tax return. This form helps you determine if you are eligible and provides instructions for claiming the credit. You should complete and submit it along with your federal tax return. If you do not have IRS Form 8885, call the IRS at 1-800-TAX-FORM. You may also download the form at <http://www.irs.gov/pub/irs-pdf/f8885.pdf>.

Q: What is IRS Form 1099-H?

A: If you claim the HCTC in advance, you will receive IRS Form 1099-H. This form lists the amount of advance tax credit you received and the months in which you received it. You will need it to complete IRS Form 8885 to claim the HCTC on your federal tax return for any months that you were eligible, but did not receive the advance tax credit.

We Are Here To Help!

If you have any questions after going through this Program Kit, visit:

<http://www.irs.gov> (IRS Keyword: HCTC)

If you still have questions, call the HCTC Customer Contact Center at:

1-866-628-HCTC (4282)

TDD/TTY callers may call 1-866-626-4282

Health Coverage Tax Credit



Department of the Treasury
Internal Revenue Service

www.irs.gov

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